

**REMARKS**

Favorable reconsideration of the application is respectfully requested in light of the amendments and remarks herein.

Upon entry of this amendment, claims 1-52 will be pending. By this amendment, no claims have been amended. No new matter has been added.

**§ 103 Rejection of Claims 1 – 17, 20 –24, 34 – 37, 40 – 43, and 46**

In Section 1 of the Office Action, claims 1 – 17, 20 –24, 34 – 37, 40 – 43, and 46 stand rejected under 35 U.S.C. §103(a) as being unpatentable over Freeny, Jr. (U.S. Patent No. 4,528,643; hereinafter referred to as “Freeny”) in view of Official Notice (regarding old and well-known in the arts, hereinafter referred to as “ON3”). This rejection is respectfully traversed below.

In the Background section of the Specification, it was indicated, “[i]n general, the largest part of total sales is achieved during the several weeks immediately after the first date of sale after an article, such as recording media (CD-ROMs) containing the computer-executable is released. Thus, when the articles are out of stock during this period, valuable selling opportunities are lost.” *Background, page 3, line 22 to page 4, line 1.* “However, since the wholesaler and the retailer purchase the articles in stock at a price including the consideration to the added value, it is not financially advantageous to increase the number of articles in stock since this can cause a rapid increase of assets.” *Background, page 4, lines 4-6.*

It was further indicated, “[a]lthough for certain software products, such as games or music, the largest part of total sales is often achieved within several weeks from the date the first version is released, requiring a software publisher to maintain high initial stock levels that

include the royalty or license fee added value consideration can be burdensome. Furthermore, the economic risk is an additional burden that can be considerable, since the unsold articles result in losses, not just of the manufacturing cost, but also of the added value consideration.”

*Background, page 5, lines 9-15.*

To address the above-described shortcomings of the conventional sale management and article distribution system in which initial stock levels that include the royalty or license fee are required at the increased risk of unsold articles, embodiments of the present invention include system, server, method and program claims for managing the sale of an article wherein this risk is minimized.

In particular, the computer network system for managing the distribution of an article, as presented in claim 1, as presented herein, includes:

*an order accepting process system accepting an order for the article from a purchaser; and*

*a consideration determining process system functionally coupled to the order accepting process system and determining a value added consideration due to a value added provider of the article, based on information related to the accepted order,*

*wherein the article has been manufactured prior to the acceptance of the order.*

(emphasis added)

Accordingly, in one aspect of claim 1, the computer network system for managing the distribution of an article includes *an order accepting process system accepting an order for the article from a purchaser . . . wherein the article has been manufactured prior to the acceptance of the order.*

It is recognized in the Office Action that Freeny fails to disclose claim 1's limitation of “the article being manufactured prior to the acceptance of the order.” Yet it is stated, “it is old

and well known in the art of retailing to provide pre-manufactured items at point-of-sale terminals to increase compulsive sales.” *Office Action, citing Official Notice 3 or “ON3.”* It is further indicated that one of ordinary skill in the art would ascertain that the invention of Freeny could be used by the retailer to pre-manufacture a CD or tape using the same system of Freeny to stock a limited supply of items most commonly requested by consumers prior to consumer purchase.

Yet Freeny in view of ON3 does not support, and in fact teaches away from, a retail terminal containing pre-manufactured items that could be stocked prior to consumer purchase to increase compulsive sales. In Freeny, the Background of the Invention repeatedly lists the multiple problems in the prior art related to pre-manufactured items being stocked at retail locations for sale.

For example, the specification indicates, “[i]n the past, owners of information such as the information embodied on recordings . . . typically have created such information, embodied the information in material objects and distributed the material objects to retail outlets (point of sale locations) for ultimate sale to the consumer.” *Freeny, col. 1, lines 10-19.* This process requires manufacturing facilities and distribution networks, which “represent substantial costs to the owner of the information, which expenses ultimately have resulted in increased costs to the consumer.” *Freeny, col. 1, lines 23-26 (emphasis added).* Thus, in the prior art, stocking items at the sale terminal led to large manufacturing and distribution costs, which are problems Freeny seeks to address.

Further, Freeny indicates that in the past, the owner of the information embodied in recordings faced a configuration problem (how many records, 8-track tapes or reel-to-reel tapes are to be manufactured), and then the problems of distributing such material objects to retail

outlets and attempting to collect for the sale of such material objects. *See Freeny, col. 1, line 6 to col. 2, line 4.* Thus, stocking items at the sale terminal led to increased configuration, distribution, and collection costs, which are other problems with the prior art.

Retailers also faced the problem of determining which recordings were to be stocked, and then determining which configurations and how many of each to be stocked. *See Freeny, col. 2, lines 16-19.* “Inventory represented a substantial investment to such retailers and such retailers also have faced pilferage problems . . . All of these problems of the retailers translated to a large extent to an increased product (material object) cost to the consumer.” *Freeny, col. 2, lines 19-24.* Thus, stocking items at the sale terminal led to increased inventory and product costs, which are other problems with the prior art.

To address these problems, Freeny provides “a means for reproducing or manufacturing material objects at point of sale locations only with the permission of the owner of the information . . .” and therefore the system of Freeny “solves the problems associated with manufacturing, inventory, configuration, distribution and collection previously discussed . . .” *Freeny, col. 4, lines 8-17 (emphasis added).*

It is indicated that Freeny in view of ON3 would suggest something similar to a vending machine approach, in which at least a few previously manufactured items are pre-stocked in the machine for sale. *Office Action, page 7.* However, Freeny teaches against using this arrangement, by recognizing, “[o]f course, in the past there have been vending machines capable of dispensing material objects at a point-of-sale location . . . with these vending machines, the material objects still are manufactured and shipped or transported to the point of sale locations.” *Freeny, col. 3, lines 56-61.* Stocking a machine using a vending-machine approach would cause the problem of heightened manufacturing and distribution costs, which goes directly against the

aim of the invention in Freeny. Therefore, Freeny teaches away from such a vending machine approach.

In the Office Action, it is further indicated that there is “no mention by Freeny that all manufactured inventory should be eliminated, just that the retailer does not have to have any pre-manufactured inventory other than blank media.” Yet the cited passages from Freeny clearly teach away from keeping any inventory at the point of sale location, as this would drive up distribution, shipping, and inventory costs, and directly go against Freeny’s aim of reducing such costs by manufacturing an article only upon authorization by the owner of the information at the terminal.

Therefore, Freeny in view of Official Notice 3 teaches away from the claim limitation, “wherein the article has been manufactured prior to the acceptance of the order,” as described in claim 1.

Therefore, Freeny and ON3, alone or in combination, fail to teach or suggest a computer network system for managing the distribution of an article that includes an order accepting process system accepting an order for the article from a purchaser . . . wherein the article has been manufactured prior to the acceptance of the order. Therefore, Freeny and ON3 fail to teach or suggest all the limitations recited in claim 1.

Based on the foregoing discussion, it is submitted that claim 1 should be allowable over Freeny and ON3. Independent claims 9, 16, and 20, 22, 23 and 24 closely parallel and contain substantially similar limitations as those recited in, independent claim 1. Thus, claims 9, 16, 20, 22, 23 and 24 should be allowable over Freeny and ON3. Similar arguments apply to independent claims 34, 40 and 46. Therefore, claims 34, 40 and 46 should be allowable over Freeny in view of ON3.

Since claims 2-8, 10-15, 17, 21 and 41-43 depend from one of claims 1, 9, 16, and 20, claims 2-8, 10-15, and 21 and 41-43 should be allowable over Freeny and ON3. Since claims 35-37 depend from claim 34, claims 35-37 should also be allowable over Freeny and ON3.

Accordingly, it is submitted that the rejection of claims 1 – 17, 20 –24, 34 – 37, 40 – 43, and 46 based upon 35 U.S.C. §103(a) has been overcome by the present remarks and withdrawal thereof is respectfully requested.

**§ 103 Rejection of Claims 18 and 19**

In Section 2 of the Office Action, claims 18 and 19 stand rejected under 35 U.S.C. §103(a) as being unpatentable over Freeny and ON3 in view of Official Notice (Paper #20050215, admitted prior art regarding well within the skill; hereinafter referred to as “ON1”).

Based on the foregoing discussion regarding claim 16, and since claims 18 and 19 depend from claim 16, it is maintained that claims 18 and 19 should be allowable over Freeny and ON3. Further, since ON1 is merely cited for the teaching that “it is well within the skill to ascertain that delivering material objects requires at least a delivery address, means of delivery, and means to record delivery instructions as requested by the consumer,” it is maintained that Freeny, ON3 and ON1, individually or in combination, fail to teach or suggest all the limitations of claims 18 and 19.

Based on the foregoing discussion, claims 18 and 19 should be allowable over Freeny, ON3 and ON1.

Accordingly, it is submitted that the rejection of claims 18 and 19 based upon 35 U.S.C. §103(a) has been overcome by the present remarks and withdrawal thereof is respectfully requested.

§ 103 Rejection of Claims 25 – 33

In Section 3 of the Office Action, claims 25 – 33 stand rejected under 35 U.S.C. §103(a) as being unpatentable over Freeny in view of ON3, further in view of Rembert (U.S. Patent No. 5,101,352; hereinafter referred to as “Rembert”).

Based on the foregoing discussion regarding claim 1, and since independent claims 25 and 29 closely parallel, and include substantially similar limitations as those recited in, claim 1, it is maintained that claims 25 and 29 should be allowable over Freeny and ON3. Further, since Rembert is merely cited for teaching “material requirements planning (MRP) for distributors, manufacturers and job shops . . . . MRP as a technique for determining the net time phased requirement . . . ,” and “a system and method that accommodates a wide variety of product options,” along with claim 25’s receiver unit, order-accepting unit, stock-article calculation unit, and stock balance calculation unit, it is maintained that Freeny, ON3, and Rembert, individually or in combination, fail to teach or suggest all of the limitations of claims 25 and 29.

Based on the foregoing discussion, claims 25 and 29 should be allowable over Freeny, ON3 and Rembert. Since claims 26-28 and 30-33 depend from claims 25 and 29, respectively, claims 26-28 and 30-33 should be allowable over Freeny, ON3 and Rembert.

Accordingly, it is submitted that the rejection of claims 25 – 33 based upon 35 U.S.C. §103(a) has been overcome by the present remarks and withdrawal thereof is respectfully requested.

§ 103 Rejection of Claims 38, 44, and 47 – 52

In Section 4 of the Office Action, claims 38, 44, and 47 – 52 stand rejected under 35 U.S.C. §103(a) as being unpatentable over Freeny in view of ON3, further in view of Official Notice (admitted prior art regarding old and well-known; hereinafter referred to as “ON2”).

Based on the foregoing discussion regarding claims 1, 34 and 46, and since claims 38, 44, and 47-52 depend from one of claims 1, 34 and 46, claims 38, 44, and 47-52 should be allowable over Freeny and ON3. ON2 was merely cited for teaching that it is old and well known in the art to describe cost relationships of a manufactured item or derive the cost of a manufactured item in terms of component costs, margins and royalties. Therefore, it is maintained that Freeny, ON3 and ON2, individually or in combination, fail to disclose or teach all the limitations of claims 38, 44, and 47-52.

Based on the foregoing discussion, claims 38, 44 and 47-52 should be allowable over Freeny, ON3 and ON2.

Accordingly, it is submitted that the rejection of claims 38, 44, and 47 – 52 based upon 35 U.S.C. §103(a) has been overcome by the present remarks and withdrawal thereof is respectfully requested.

#### § 103 Rejection of Claims 39 and 45

In Section 5 of the Office Action, claims 39 and 45 stand rejected under 35 U.S.C. §103(a) as being unpatentable over Freeny, ON3, and ON2, as applied to claims 38 and 44, further in view of Rembert.

Based on the foregoing discussion regarding claims 1 and 34, and since claims 39 and 45 depend from one of claims 1 and 34, claims 39 and 45 should be allowable over Freeny and ON3. Further, Freeny, ON3 and ON2, in combination, were merely cited for teaching “ a) blank

media, blank media having a cost without value added cost, b) manufacturing a retail material object containing component costs and value add costs, and c) manufacturing a material object customized for the individual customer.” Rembert was merely cited for teaching “material requirements planning (MRP) for distributors, manufacturers and job shops . . . MRP as a technique for determining the net time phased requirement . . . ,” “a system and method that accommodates a wide variety of product options,” and a receiver unit, order-accepting unit, stock-article calculation unit, and stock-balance calculation unit performing certain functions. Claims 39 and 45 do not claim a receiver unit, an order-accepting unit, a stock-article calculation unit, and/or a stock-balance calculation unit. Therefore, it is maintained that Freeny, ON3, ON2 and Rembert, individually or in combination, fail to disclose or teach all the limitations of claims 39 and 45.

Based on the foregoing discussion, claims 39 and 45 should be allowable over Freeny, ON3, ON2 and Rembert.

Accordingly, it is submitted that the rejection of claims 39 and 45 based upon 35 U.S.C. §103(a) has been overcome by the present remarks and withdrawal thereof is respectfully requested.

### Conclusion

In view of the foregoing, entry of this amendment, and the allowance of this application with claims 1-52 are respectfully solicited.

In regard to the claims amended herein and throughout the prosecution of this application, it is submitted that these claims, as originally presented, are patentably distinct over the prior art of record, and that these claims were in full compliance with the requirements of 35

U.S.C. §112. Changes that have been made to these claims were not made for the purpose of patentability within the meaning of 35 U.S.C. §§101, 102, 103 or 112. Rather, these changes were made simply for clarification and to round out the scope of protection to which Applicant is entitled.

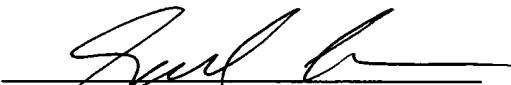
In the event that additional cooperation in this case may be helpful to complete its prosecution, the Examiner is cordially invited to contact Applicant's representative at the telephone number written below.

The Commissioner is hereby authorized to charge any insufficient fees or credit any overpayment associated with the above-identified application to Deposit Account 50-0320.

Respectfully submitted,

FROMMER LAWRENCE & HAUG LLP

By:

  
Samuel S. Lee  
Reg. No. 42,791  
(858) 731-5000